

Message Text

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ACTION EUR-25

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FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 2835

INFO USMISSION BERLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 BONN 08503

E. O. 11652: GDS

TAGS: ETRN, WB, GW, UK, FR, US

SUBJECT: CIVAIR - BERLIN AIR FARES

REF: BONN 8442

1. SUMMARY. AT BCATAG MEETING ON PROPOSED IGS FUEL SURCHARGE, ALLIED CAAS STATED ALLIED POSITION THAT SURCHARGE URGENTLY NEEDED BY THE BERLIN AIR CARRIERS, AND MUST BECOME EFFECTIVE JUNE 1. FRG POSITION IS THAT, IN ORDER TO REDUCE THE NUMBER OF IGS FARE INCREASES TO A MINIMUM, IMPLEMENTATION OF FUEL SURCHARGE SHOULD BE DELAYED TO ALLOW COMPLETION OF QUADRIpartite STUDY OF OTHER ELEMENTS AFFECTING IGS REVENUE AND COSTS, NAMELY (A) THE POSSIBILITY OF FURTHER "RATIONALIZATION", AND (B) THE EFFECTS OF INCREASED FEES AND RENTALS AT BERLIN AIRPORTS AND THE MOVE OF IGS CARRIERS FROM TEMPELHOF TO TEGEL. ALLIED CAAS OFFERED NO REAL HOPE OF DELAY OF JUNE 1 IMPLEMENTATION, BUT AGREED TO REPORT THE FRG POSITION AND REQUEST FURTHER INSTRUCTIONS FROM CAPITALS.

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END SUMMARY.

2. BERLIN CIVIL AIR TRANSPORT ADVISORY GROUP (BCATAG) MEETING ON FUEL SURCHARGE HELD MORNING OF MAY 29. DETAILED PRESENTATION OF FUEL PROBLEM WAS NOT REQUIRED SINCE FRG PARTICIPANTS WERE ALREADY AWARE OF AMBASSADOR'S APPROACHES TO FONOFF AND FAMILIAR WITH CAAS' PRESENTATION GIVEN TO KRONECK (FONOFF). CHAIRMAN (US CAA) THEREFORE OPENED THE MEETING BY STRESSING THE URGENCY OF SITUATION. ALLIES HAD AGREED THAT THE FUEL SURCHARGE MUST BECOME EFFECTIVE JUNE 1. THE PROBLEM OF FUEL COST INCREASES WAS A UNIVERSAL ONE FOR ALL AIR CARRIERS AND CAAS WERE UNAWARE OF ANY COUNTRY WHERE FARE LEVELS HAD NOT, RPT NOT RISEN IN PAST FIVE MONTHS. BRITISH CAA REITERATED THE URGENCY OF THE SITUATION, AND WAS SUPPORTED BY FRENCH CAA. CAA ALSO RECALLED OUR STRONG INTEREST IN FRG THINKING ON INCREASED FEDERAL SUPPORT FOR THE CARRIERS, SUCH AS INCREASED PASSENGER SUBSIDIES, SO THAT THE FUEL SURCHARGE NEED NOT BE PASSED ON IN ITS ENTIRETY TO THE TRAVELER.

3. BEFORE DISCUSSION DEVELOPED FURTHER, DR. JIRKA PRESENTED THE FRG NON-PAPER TRANSMITTED REFTEL. COMMENTING ON THE PAPER, AND SUMMARIZING FRG VIEWS, HE SAID THE FRG CONSIDERED IT MOST IMPORTANT FOR BOTH POLITICAL AND ECONOMIC REASONS TO AVOID FREQUENT INCREASES IN IGS FARES. THE FRG PAPER REFERRED NOT ONLY TO THE FUEL SURCHARGE, BUT ALSO TO THE PROPOSED INCREASES IN RENTS AND FEES AT BERLIN AIRPORTS AND THE MOVE TO TEGEL AIRPORT, WHICH WOULD RESULT IN INCREASED COSTS TO THE AIRLINES. THE FRG POSITION IS THAT IMPLEMENTATION OF THE FUEL SURCHARGE SHOULD BE DELAYED FOR AS LONG AS IT MIGHT TAKE TO STUDY THESE ITEMS, PERHAPS TWO WEEKS OR MORE. THERE MIGHT THEN BE AN INCREASE IN FARES TO AN AGREED LEVEL WHICH WOULD AVOID THE NECESSITY FOR ADDITIONAL INCREASES FOR A CONSIDERABLE LENGTH OF TIME. UPON QUESTIONING, JIRKA SAID THAT NO MENTION OF INCREASED FRG FINANCIAL SUPPORT OR SUBSIDIES WAS MADE IN THE NON-PAPER BECAUSE OF THE GREAT URGENCY EXPRESSED BY THE ALLIES IN DECIDING ON THE SURCHARGE. THE GENERAL QUESTION OF FEDERAL SUPPORT FOR

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THE IGS WAS STILL UNDER CONSIDERATION BY INTERESTED MINISTRIES, BUT NO DECISION COULD BE REACHED IN THE IMMEDIATE FUTURE. (JIRKA DID NOT SOUND AT ALL POSITIVE ABOUT THE CHANCES FOR THE FRG INCREASING ITS FINANCIAL SUPPORT OF THE IGS.) JIRKA CALLED ATTENTION TO THE RELATIONSHIP BETWEEN DIRECT AND INDIRECT SUBSIDIZATION OF THE BERLIN AIR TRANSPORT SYSTEM, NOTING THAT WITHIN THE BERLIN OCCUPATION COST BUDGET THERE WAS INDIRECT

FRG SUBSIDIZATION OF THE IGS.

4. COMMENTS MADE ON THE FRG PAPER: (A) WITH RESPECT TO PARA 1, CAAS NOTED THERE WOULD BE NO TIME TO PRODUCE ADDITIONAL FIGURES, GIVEN THE DIFFICULTY OF OBTAINING THEM FROM THE TWO CARRIERS AND RECONCILING THEM. MOREOVER, CAAS DOUBTED THAT CAPITALS WOULD CONCUR

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IN PROVIDING FURTHER DATA, ESPECIALLY SINCE THE DATA ALREADY PROVIDED BY CARRIERS HAD BEEN STUDIED BY TECHNICAL EXPERTS OF THE RESPECTIVE CIVIL AVIATION AUTHORITIES. JIRKA AND STUKENBERG (TRANSPORT MINISTRY) SAID THE FRG WOULD PARTICULARLY WISH TO HAVE COPIES OF THE REPORT OF THE CAB AND DTI EXPERTS ON THE LEVEL OF FUEL SURCHARGE PROPOSED BY THE CARRIERS.

(B) ON PARA 2 THERE WAS LITTLE OR NO DISCUSSION.

FRG REPS ARE AWARE OF THE PAN AM/BEA RATIONALIZATION EXERCISE AND THAT THE ALLIES ARE AGREED ON SEEKING FUTURE IMPROVEMENT IN LOAD FACTORS THROUGH THIS MEANS.

(C) FRG REPS, IN REPLY TO QUESTION RE PARA 3, SAID THAT THE "COSTS OF OPERATING THE BERLIN AIRPORTS" INCLUDED ONLY NORMAL OPERATING COSTS FOR SERVICES RENDERED, AND NOT, RPT NOT COSTS CONNECTED WITH THE FINANCING AND BUILDING OF THE NEW TEGEL TERMINAL.
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JIRKA EMPHASIZED THAT THE FRG AND SENAT WISH TO PUT THE BERLIN AIRPORT COMPANY (BFG) ON A SOUND FINANCIAL OPERATING BASIS. IT BECAME CLEAR ON QUESTIONING THAT NEITHER FRG NOR SENAT OBJECT TO PASSING THE COST OF INCREASED FEES AND RENTALS ON TO THE PASSENGERS IF THE CARRIERS SO DECIDE. THE UK CAA SAID THAT THE BRITISH HAVE NO OBJECTION TO THE INCREASES PROPOSED BY THE BFG (WITH THE EXCEPTION OF THE PASSENGER CHARGE) PROVIDING IT IS UNDERSTOOD THAT THE CARRIERS MAY PASS THESE COSTS ON TO THE PASSENGER "IN DUE COURSE."

(D) THERE WAS LITTLE DISCUSSION OF POINT 4 OF THE PAPER. THE DIFFERENCE IN CHARACTER BETWEEN THE FUEL SURCHARGE, WHICH CONCERNS AN IMMEDIATE PROBLEM FOR THE CARRIERS THAT MUST BE PROMPTLY RESOLVED, AND THE LESS URGENT MATTERS OF FEES, RENTALS AND THE MOVE TO TEGEL, WAS EMPHASIZED BY THE CAAS.

5. AFTER FURTHER GENERAL DISCUSSION, JIRKA CONCLUDED FOR THE GERMAN SIDE BY EXPRESSING GENERAL DISSATISFACTION AT THE CONSULTATIVE PROCESS ON BERLIN AIRFARES. HE SAID THE FONOFF AND OTHER MINISTRIES CONCERNED COULD NOT UNDERSTAND WHY THESE DISCUSSIONS COULD NOT COMMENCE AT AN EARLIER STAGE, BEFORE THE LEVEL OF A FARE INCREASE HAD BEEN DETERMINED. THE FRG WAS NOT HAPPY OVER BEING FACED TIME AND AGAIN WITH WHAT WAS PRACTICALLY AN ACCOMPLISHED FACT, PARTICULARLY IF THE FRG AND THE SENAT WERE EXPECTED TO GIVE SOME MEASURE OF PUBLIC SANCTION, OR AT LEAST NOT TO OBJECT TO THE PROPOSED CHANGES IN IGS FARES. CAAS IN REPLY POINTED OUT THE DIFFICULTIES INVOLVED IN THE PREPARATION AND TIMING OF FARE INCREASE STUDIES. CHAIRMAN SAID ALLIED CAAS WOULD INFORM CAPITALS OF THE FRG POSITION AND WOULD ASK FOR FURTHER INSTRUCTIONS. WE DID NOT HOLD OUT ANY HOPE, HOWEVER, THAT THE JUNE 1 DATE FOR THE IMPLEMENTATION OF THE SURCHARGE WOULD BE DELAYED.

6. COMMENT: WHILE WE CANNOT BE CERTAIN WHETHER OR NOT THE FRG SIDE WILL COME UP WITH SOME SURPRISE TOMORROW,

JUDGING FROM JIRKA'S REMARKS AT TODAY'S MEETING THEY
MAY, AT THE MOST, SAY THAT IF THE ALLIES WANT FRG PUBLIC
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SUPPORT FOR THE FUEL SURCHARGE, WE SHOULD AGREE TO THE
INCREASE IN BFG FEES AND RENTALS. PERHAPS MORE LIKELY,
THEY WILL RELUCTANTLY AGREE TO WATERED DOWN PRESS
GUIDANCE INDICATING THAT THE FRG WAS INFORMED IN ADVANCE

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BY THE ALLIES OF THE FUEL SURCHARGE. EMBASSY RECOMMENDS
THE ALLIES SHOULD NOW INFORM THE FRG THAT WE ARE PRE-
PARED TO DISCUSS FURTHER THE INCREASE IN FEES AND
RENTALS, AND THE POSSIBLE MOVE TO TEGEL, BUT CONFIRM

THAT THE IMPLEMENTATION OF THE FUEL SURCHARGE ON
JUNE 1 IS NEEDED AND MUST TAKE PLACE.

7. EMBASSY DOES NOT BELIEVE, HOWEVER, THAT THE FRG
WILL LET UP ON ITS EFFORTS TO OBTAIN APPROVAL FOR THE
INCREASED FEES AND RENTALS. AS THE BRITISH HAVE
POINTED OUT TO US HERE, THE INCREASE IN FEES AND RENTALS
IS PRETTY SMALL POTATOES COMPARED TO THE INCREASED
COSTS INVOLVED IN THE MOVE OF PAN AM AND/OR BEA TO
TEGEL. EMBASSY SUGGESTS THE DEPARTMENT GIVE CONSIDERA-
TION TO THE POSSIBLE TACTICAL ADVANTAGE OF ACCOMMODATING
THE FRG ON THE FEES AND RENTALS, WHICH WE ESTIMATE
CAN BE PASSED ON TO THE TRAVELING PUBLIC, WHILE HOLDING
FIRM TO THE POSITION THAT IT IS ENTIRELY UP TO THE
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CARRIERS AS TO WHETHER OR NOT THEY WISH TO MOVE TO
TEGEL. IF THE FRG AND THE SENAT WISH PAN AM AND BEA
TO MOVE, THEN THEY SHOULD MAKE IT FINANCIALLY POSSIBLE
FOR THEM TO DO SO WITHOUT ADDITIONAL HEAVY
CHARGES WHICH THE IGS IS UNABLE TO CARRY. IT MAY BE
THE PROSPECT OF COPING WITH THE TEGEL PROBLEM THIS FALL
WHICH MAKES IT DIFFICULT FOR THE FRG, THE FINANCE
MINISTRY IN PARTICULAR, TO ARRIVE AT A DECISION ON
FURTHER IGS SUBSIDIES AT THIS TIME.

8. ACTION REQUESTED: THE DEPARTMENT'S INSTRUCTIONS
RE EMBASSY'S RECOMMENDATION IN PARA 6.
HILLENBRAND

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